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MONTHLY PROJECTIONS
March 1988

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IS WAGE INFLATION ABOUT TO SURFACE?

According to payroll measures of employment, a million new jobs were created between December 1987 and March 1988. This job expansion was sufficient to reduce the civilian unemployment rate from 5.8% to 5.6%. In the first quarter, the index of hours worked increased at an annual rate of 3.1%, virtually negating a declining economy in the quarter. Even with a third consecutive quarter of relatively poor productivity results, our analysis shows that real economic activity expanded about 2%.

Of course, if jobs are growing by 1 million per quarter, questions must be raised about when labor friction will begin to generate inflationary pressures. Some economists actually saw wage inflation surfacing in March, especially as the hourly earnings index increased at an annual rate of 5%. However, the increase from December was only at an annual rate of 3.2%, only slightly above the 2.9% gain over the previous year. Also, the question is being raised as to when the unemployment rate will reach a level that begins to reflect the absence of experienced workers from the unemployed pool. On the East coast from North Carolina to Maine, the unemployment rate now averages below 4%, a level that almost assuredly indicates labor tightening.

However, not all labor statistics are indicating tightening. Although payrolls expanded 1.6 million since October, the household surveys show a much more moderate 900,000 gain. Such discrepancies will develop for short periods of time as a result of the different techniques used to garner information from the two data sources, but they tend to converge within the year. Thus, some people have maintained that payrolls may be overstating employment gains at the present time. Moreover, the new immigration bill has increased the number of immigrants with working cards. It is possible that employers who previously were hiding such workers are now counting them on their payrolls. Thus, the surge in payroll employment could partially reflect better measurement of payrolls rather than any significant increases in employment.

Nevertheless, if employment opportunities continue to grow along the Eastern Seaboard, wage pressures almost certainly will develop. On the other hand, if the rebound in employment is concentrated in the Mid-West and if some employment gains can be generated in the Southwest, the unemployment rate probably could fall below 5% before serious wage pressures are excited. At this point, our estimate of the hourly earnings index shows slower growth than contained in our previous forecast despite lower unemployment rates. Thus, wage inflation is not expected to be a serious problem at this time.

The measurement problem cited above for payrolls may also be explaining why measured productivity is less satisfying than one would hope. With improved measurement of labor inputs but no change in outputs, a deterioration in productivity measures would be expected. This probably explains why there was such a large gap between prices and unit labor costs in the past two years. Normally, a discrepancy of nearly 2 percentage points between prices and unit labor costs should have generated substantial corporate profitability. However, this was not the case. Underreporting of labor inputs and the wages related to those laborers probably led to underreporting of unit labor costs in those two years. The current adjustment may lead to slightly higher reporting of unit labor costs relative to true cost pressures this year. Thus, the deterioration in productivity probably should not be viewed as alarming as normal. Nevertheless, our productivity performance over this business cycle has not been sparkling.

One other area of contention is concerning the re-industrialization of the United States. Virtually all economic forecasters believe that expansion in 1988 will be export-led. Yet, employment in manufacturing has been weak in the past two months and industrial production shows little growth. However, the dollar's decline clearly has improved the competitiveness of American manufacturers abroad. Thus, a surge in export activity certainly could be anticipated. However, exports fell more than seasonally anticipated in January. The trade figures showed improvement because imports also fell more than seasonally expected. The decline in imports is the result of excessive inventories of imported goods that developed during the fall.

On the other hand, purchasing managers are citing increased orders from foreigners in March. Thus, the lull in export activity that developed in the first quarter may be replaced by more vigorous manufacturing activity later in the year.

In the meantime, consumption and the service economy continue to be areas generating the greatest economic growth. With such strong consumer spending patterns, savings rates are projected to be lower than previously anticipated and imports may begin to rebound after inventory imbalances have been rectified. Thus, dramatic improvements in our trade balances may not continue in the months ahead.

Also of concern is the high utilization of resources in the export-oriented industries. Paper, chemicals, and plastics all are producing well above 90% of utilization. Two import-impacted industries, textiles and steel also are producing well above 90%. This raises questions as to whether American industry will have the capacity to continue industrializing. Significant growth in capital spending will be necessary to insure a continuation of strong industrial activity into 1989. However, orders are not growing briskly enough to insure that capacity will be building along with orders. If capacity is wanting, another burst in industrial material prices could develop in the next few

months, leading to increasing inflationary pressures. While this inflation may not be wage-induced, it probably will push wages upward to protect earning power. A definite increase in inflationary pressures appears likely before the end of 1988.

Quarterly Profile of GNP

	1987-4	1988-1	1988-2	1988-3	1988-4	1989-1	1987 Annual	1988 Annual
Real:	4.8	1.9	2.7	1.3	2.2	1.4	2.9	2.8
Price:	2.7	2.4	3.4	4.7	4.7	5.0	3.0	3.1
Nominal:	7.6	4.4	6.2	6.1	7.0	6.5	6.0	6.0

Monthly Statistical Highlights for March 1988

Personal income +0.1%; savings rate 5.1%; personal consumption +0.3%; retail trade -0.2%; auto sales 10.4 million units; housing starts +3.5%; housing permits +1.6%; construction expenditures +0.7%; business inventories +0.3%; orders for durable goods +1.7%; orders for nondefense capital goods +0.3%; industrial production +0.1%; CPI +0.4%; PPI +0.3%; consumption deflator +0.2%; leading indicators +0.4%; real GNP(AR) +2.2%; M1(AR) +5.0%; M2(AR) +9.8%.

Monthly Statistical Highlights for April 1988

Payroll employment +177,000; index of hours worked +0.2%; household employment +446,000; civilian unemployment rate 5.6%; personal income +0.5%; savings rate 5.1%; personal consumption +0.5%; retail trade +0.3%; auto sales 10.7 million units; housing starts UNC: housing permits -0.3%; construction expenditures +0.4%; business inventories +0.4%; orders for durable goods +0.6%; orders for nondefense capital goods +0.9%; industrial production +0.2%; CPI +0.3%; PPI +0.2%; consumption deflator +0.3%; leading indicators -0.2%; real GNP(AR) 3.4%; M1(AR) +10.5%; M2(AR) +6.2%.

Commentary

Employment - Most of the 262,000 increase in payroll employment occurred in construction other than general contractors, services other than business and medical, and government payrolls. For the second consecutive month, employment in manufacturing showed little change. Of course, on the household surveys, employment dipped by 306,000, but this is more than offset by a dip in the labor force which led to a decline in the unemployment rate. Participation rates fell for males, females and teenagers, but employment of teenagers fell even more sharply. That was the one segment which experienced an increase in the unemployment rate.

Despite these gains in payroll employment, the remainder of the employment report was decidely weak. The workweek declined in the private sector and also

declined slightly in manufacturing. As a result, the index of hours worked fell in March. At the same time, the hourly earings index increased at an annual rate of 5% following two months of minimal gains. Most of the increase was in the construction and services areas.

Personal Income - As expected, wage and salary growth showed a strong 0.7% gain in February. A significant increase in agricultural subsidies also added to a strong 0.9% increase in personal income. No such subsidy increases are anticipated in March. In addition, a reduction in the workweek will offset the increase in employment to generate little change in wage and salary growth during March. Nevertheless, income currently is significantly above previously forecasted values and is expected to remain strong through next year.

On the other hand, the degree to which tax liabilities declined early in 1988 was overestimated in our forecast. Therefore, the upward revision in disposable income is not quite as large as earlier in the year. On the other hand, the government deficit probably will not be quite as dramatic as expected in the February outlook.

Consumption continued to grow rapidly in February as nondurables rebounded slightly from a decline in January even as strong automobile sales and abnormally cold weather led to strengths in both durables and services. Weather will not be as favorable for utility consumption in March, causing a slowing in service consumption growth at that time. In addition, prices of nondurable goods are still declining in March, which should contain expenditures in that sector. Indeed, food and oil prices are not expected to rise significantly until the second half of this year. Nonauto durables showed significant retail activity in February, but the slowing of housing activity over the winter months is expected to cause moderation in the furniture and hardware categories until the summer months. Strength in nonauto durables requires further upward revisions in our anticipations of expenditures in that category over the next twelve months. These revisions are responsible for significant upward revisions in durable spending over that period.

Construction - Recent data clearly shows that weather was a dramatic factor in restraining housing activity in January. Single-family sales rose sharply to 626,000 in February, although the sales levels still remain well below year-ago rates. Unsold single-family units are at 7.1 months of current sales level, which is considered neutral for contractors. This rebound in sales, along with current evidence that interest rates are beginning to rise, should stimulate housing sales early in the spring. Of course, after mortgage rates move above 10%, sales will once again slow. Multi-family housing activities currently are in excess of 400,000, and should continue to expand at that rate for the remainder of this year.

Weakness in housing activity over the winter months has taken its toll upon residential construction expenditures, which continued to decline in February. A slight rebound in residential activity is expected in the spring before renewed weakness in housing starts cause a plateauing of expenditures later in the year. Public construction also appears to have been weather-impacted, although sluggishness in February, where weather conditions were not quite as bad as January, suggests that previous forecasted values may have been overstated. On the other hand, nonresidential construction has held up better than anticipated. A surge in orders in February suggests that little further decline probably will develop for nonresidential activity. Strong employment estimates suggest that construction rebounded sharply in March.

One area of concern in the construction sector is the acceleration of construction prices. This appears to be the result of sharp increases in metal building materials and in some plastics, and further increases may develop in construction prices during the next few months.

Business Activity - Following a surge in orders during December, manufacturing orders slipped in January and February. In February, nondurable orders joined the decline experienced by durable goods orders. Declines in orders are anticipated after a significant surge, such as that experienced in December. Indeed, orders for nondefense capital goods continued to grow in January before correcting slightly in February. For these reasons, the current weakness in orders is not a cause for concern. Obviously, a continuation of durable goods weakness will require adjustments. At the present time, however, orders are exceeding shipments by more than $3 billion per month. Defense orders are surprisingly weak, and should rebound in the next few months. Nevertheless, the slowing in defense authorizations appears to have worked its way through to defense shipments. For that reason, much slower defense spending on durable goods is expected in the next year.

There has been little inventory adjustment in manufacturing, where inventories slowed to a 0.5% rate of accumulation from 0.9% in January. However, most of that slowing reflects slower growth in prices of industrial materials rather than any significant reductions in the rate at which goods are being stocked. Business inventories have corrected, however, as excess retail inventories that accumulated in the fall were being liquidated in the winter. However, wholesalers have shown surprising increases in their inventories despite sluggish sales activity. Inventory accumulation probably will slow slightly in the winter months, but not as much as had been anticipated after the fourth-quarter inventory positions were announced. Further slowing in inventory accumulations probably will occur in the spring and into the summer months.

Clearly, the inventory correction originally expected for the first quarter is not materializing. As a result, industrial production is much stronger than had been contained in our forecast. However, as inventory liquidations are now expected to be drawn out rather than overlooked, this discrepancy in forecasted values of industrial production narrows as we progress into 1989. This should result in continuing high utilization of resources, but no dramatic surge in capacity utilization rates.

Prices - Stronger food prices earlier in the year resulted in higher consumer price increases as measured by the CPI than previously anticipated. However, favorable shifts in composition as a result of strong growth in consumer durables is causing a slowing in the consumption deflator relative to the CPI. This also is being reflected in the GNP deflator early in the year. However, these favorable composition changes are not expected to persist throughout the year. As a result, the discrepancy in performance between the CPI and the GNP deflator should narrow as the year progresses.

Miscellaneous - Both exports and imports fell more than seasonally anticipated in January. However, imports were even more restrained than anticipated, leading to lower trade deficits than expected. Much of this is the result of excess inventories of imported goods which is causing a temporary slowing in the flow of imports into the United States. When these inventories are worked off, imports should pick up again.

The leading indicators have rebounded from their stock market-induced decline of the fall. Moreover, some forces, such as delivery delays and the manufacturing workweek have fallen sufficiently from their highs so that they can contribute further increases to the leading indicators in the months ahead. Nevertheless, little change is anticipated in stock market prices, orders, and building permits in the months ahead. This suggests that the leading indicators will show a flat pattern for the year.

Financial Markets

Stronger economic activity than originally anticipated early in the year is leading to higher interest rate pressures than originally anticipated. Moreover, the dollar is beginning to lose its new-year luster as the economy moves into the second quarter. Higher trade deficits, which are expected in a month or so, could cause the dollar to fall to new lows against the yen and the German mark. Even in this period of relative strength, the dollar has fallen significantly against the British pound and the Canadian dollar. Such dollar weakness probably will require a less supportive Federal Reserve in the months ahead.

Of course, further dollar weakness will lead to reluctant support for American financial markets by foreign investors. At a minimum, foreign investors probably will require higher interest rates to offset the perceived currency risks that a falling dollar will generate.

Of course, reluctance by foreign investors is not sufficient to insure increasing interest rates. However, the absence of significant inventory liquidations early in the year along with increasing investment needs by the corporate sector will lead to significant upward pressures on corporate borrowings. Already, the commercial paper rate is beginning to move above the federal funds rate, suggesting that private short-term credit market demands are forcing the Federal Reserve to accept higher interest rates. Also, a rebound in housing activity during the spring and some dip in the household savings rate will reduce the degree to which the household sector will be supporting credit market conditions. While government deficits will not be as high as originally forecasted, they will be growing slightly during the year, probably to the vicinity of $165 billion. As a result, no pressures for reduced interest rates currently prevail. Under such conditions, rates will move upward.

The Federal Reserve is expected to follow a policy of grudging acceptance of higher interest rates. However, when economic growth slows in the third quarter, a slight easing of rates is possible momentarily. Nevertheless, fears of increasing inflationary pressures probably will lead to gradual increases in long-term interest rates. These increases are expected to be most dramatic for the tax-exempt market. However, the long-term government bond probably will be yielding more than 9% in the second half of 1988.

Equity Markets - Stronger economic activity than originally anticipated means that corporate profitability will be greater than originally expected. Operating profits probably will rise 8% this year while after-tax corporate profits could increase as much as 12%. Some increases in inventory profits and a reduction in the favored tax position for capital costs will increase corporate tax liabilities relative to operating profits. Nevertheless, operating profits

less tax liabilities will be growing this year. However, the rise in interest rates will cancel out favorable effects from improved profitability. The result will probably be little incentive for higher equity values.

On the other hand, our analysis shows no reason to anticipate that another significant drop in equity values will be forthcoming. Indeed, the stock market performed well in responding adversely to rising interest rates in March. As a result of that response, equity values are not excessive at the present time. Clearly, such projections suggest that purchases of equities on a market-wide basis probably will not perform better than alternative investments in 1988. The Dow Jones probably will do better than the 2000 currently being recorded, but a target above 2200 is not anticipated this year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	102983	102983	121.9	121.9	113210	113210	6.0	6.0	174.9	174.9
November	103285	103285	122.2	122.2	113504	113504	5.9	5.9	175.8	175.8
December	103596	103612	121.0	121.8	113744	113744	5.8	5.8	175.4	175.7
January 1988	103705	103827	121.7	122.4	113849	114129	5.8	5.8	176.2	176.4
February	103778	104344	121.9	123.4	114018	114409	5.8	5.7	177.0	176.5
March	103854	104606	122.1	122.9	114166	114103	5.8	5.6	177.8	177.1
April	103992	104783*	122.0	123.2*	114308	114549*	5.8	5.6*	178.0	177.4*
May	104103	104972	122.1	123.5	114470	114420	5.8	5.7	178.2	177.8
June	104212	105169	122.2	123.7	114682	114736	5.8	5.6	178.5	178.1
July	104349	105371	122.4	124.0	114733	115113	5.9	5.5	179.1	178.5
August	104512	105567	122.6	124.2	114899	115350	5.9	5.5	179.7	179.0
September	104687	105742	122.7	124.3	115026	115307	5.9	5.5	180.4	179.6
October	104755	105957	122.9	124.5	115159	115590	6.0	5.5	180.8	180.1
November	104834	106168	123.1	124.8	115274	115872	5.9	5.4	181.2	180.6
December	104916	106338	123.2	125.0	115387	116047	5.9	5.4	181.5	181.2
January 1989	105069	106544	123.4	125.2	115562	116243	5.8	5.4	182.2	181.6
February	105240	106684	123.6	125.3	115752	116401	5.9	5.4	182.8	182.3
March	105413	106833	123.9	125.4	115940	116598	5.9	5.3	183.5	183.0

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	3.854	3.854	2.258	2.258	181.9	177.0	3.279	3.280	3.097	3.103
November	3.836	3.840	2.272	2.272	145.2	145.0	3.257	3.261	3.112	3.116
December	3.865	3.869	2.281	2.281	153.9	145.0	3.282	3.284	3.128	3.139
January 1988	3.869	3.880	2.286	2.294	185.4	159.8	3.317	3.304	3.132	3.144
February	3.881	3.914	2.298	2.310	180.6	174.6	3.327	3.341	3.146	3.166
March	3.893	3.919*	2.309	2.310*	179.1	169.3*	3.338	3.344*	3.160	3.175*
April	3.903	3.937	2.315	2.321	169.5	170.0	3.348	3.360	3.178	3.190
May	3.914	3.955	2.320	2.332	170.6	174.7	3.357	3.375	3.186	3.200
June	3.925	3.973	2.324	2.343	175.6	167.2	3.368	3.389	3.194	3.222
July	3.940	3.988	2.336	2.352	164.2	163.1	3.376	3.400	3.212	3.237
August	3.955	4.007	2.348	2.363	130.3	160.0	3.384	3.415	3.254	3.255
September	3.970	4.024	2.360	2.373	131.5	151.6	3.392	3.428	3.260	3.276
October	3.989	4.044	2.366	2.385	153.7	158.4	3.408	3.444	3.254	3.286
November	4.007	4.063	2.374	2.397	146.6	152.6	3.423	3.459	3.276	3.306
December	4.025	4.083	2.382	2.410	143.7	152.0	3.439	3.475	3.298	3.323
January 1989	4.042	4.096	2.397	2.419	147.7	159.4	3.462	3.496	3.314	3.337
February	4.062	4.116	2.411	2.431	150.4	162.8	3.480	3.519	3.330	3.356
March	4.083	4.135	2.425	2.442	153.7	162.3	3.499	3.536	3.346	3.374

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	3000.3	3006.5	404.2	403.4	981.7	985.4	1614.4	1617.7	2489.2	2494.6
November	3014.5	3019.2	412.2	412.0	984.9	993.7	1617.4	1613.5	2494.3	2499.9
December	3030.6	3042.0	424.9	423.5	983.5	1000.1	1622.2	1618.4	2506.2	2519.5
January 1988	3033.9	3045.7	416.5	421.1	983.9	992.4	1633.5	1632.1	2503.2	2515.8
February	3048.6	3067.4	415.5	428.5	987.4	994.4	1645.7	1644.5	2509.1	2529.0*
March	3060.5	3075.5*	414.8	424.5*	987.9	997.4*	1657.8	1653.6*	2512.7	2530.6
April	3072.2	3090.2	415.6	425.7	991.3	1001.2	1665.3	1663.3	2514.1	2534.1
May	3088.9	3099.9	416.6	422.1	996.4	1003.9	1675.9	1673.9	2517.4	2533.4
June	3100.9	3120.8	416.8	423.5	999.1	1008.5	1685.0	1688.8	2519.0	2541.8
July	3119.4	3135.2	418.5	424.5	1004.6	1012.3	1696.3	1698.4	2523.8	2543.7
August	3136.1	3152.7	421.3	425.2	1007.7	1017.0	1707.1	1710.5	2525.0	2547.2
September	3171.5	3173.4	442.7	432.4	1010.9	1020.7	1717.9	1720.3	2541.3	2554.2
October	3161.1	3181.9	418.3	425.6	1014.6	1025.7	1728.2	1730.6	2522.8	2551.5
November	3174.6	3202.0	419.5	432.0	1017.1	1030.2	1738.0	1739.8	2525.5	2557.5
December	3188.1	3217.9	420.9	435.0	1019.3	1033.4	1747.9	1749.5	2528.2	2560.0
January 1989	3208.5	3230.9	423.5	432.1	1025.4	1038.5	1759.6	1760.3	2534.4	2557.7
February	3228.6	3249.9	425.0	435.2	1031.9	1043.2	1771.7	1771.5	2540.2	2562.3
March	3248.8	3266.7	426.6	436.4	1038.4	1048.0	1783.8	1782.3	2544.1	2564.5

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	125.63	125.63	19.92	19.92	9.3	9.3	76.97	76.97	28.74	28.74
November	125.77	125.99	20.20	20.27	9.9	9.9	77.02	77.20	28.55	28.51
December	126.68	127.47	20.34	20.56	10.9	10.9	77.08	77.63	29.25	29.29
January 1988	126.06	127.28	20.11	20.38	10.4	10.4	77.12	77.04	28.83	29.87
February	126.47	127.99	20.24	20.72	10.0	11.0	77.36	76.93	28.87	30.34
March	126.44	127.74*	20.37	20.67*	9.6	10.4*	77.33	77.34*	28.74	29.73*
April	126.95	128.17	20.20	20.70	9.7	10.7	77.69	77.63	29.06	29.84
May	127.51	127.96	20.16	20.86	9.9	10.3	78.10	77.84	29.25	29.26
June	127.95	128.48	20.07	20.93	10.2	10.4	78.50	78.20	29.38	29.35
July	128.05	128.89	20.16	20.97	10.0	10.4	78.86	78.49	29.03	29.43
August	129.39	129.34	20.33	20.88	10.5	10.5	79.08	78.86	29.98	29.60
September	132.67	130.48	20.28	20.96	11.2	10.8	79.29	79.14	33.10	30.38
October	128.86	130.06	20.20	21.05	9.6	9.8	79.53	79.53	29.13	29.48
November	129.47	131.17	20.24	21.36	9.8	10.2	79.76	79.88	29.47	29.93
December	130.37	131.78	20.28	21.53	10.1	10.3	79.98	80.13	30.11	30.12
January 1989	130.98	131.83	20.33	21.31	10.1	10.2	80.43	80.52	30.22	30.00
February	131.49	132.56	20.26	21.54	10.1	10.2	80.88	80.89	30.35	30.13
March	131.78	133.07	20.38	21.50	10.0	10.3	81.32	81.26	30.08	30.31

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	1.537	1.538	1.105	1.105	1.463	1.463	403.5	403.5	351.2	351.2
November	1.639	1.661	1.110	1.129	1.469	1.469	411.3	405.1	354.8	349.4
December	1.374	1.399	1.023	1.035	1.340	1.361	409.7	406.8	354.6	352.0
January 1988	1.390	1.372	0.996	1.002	1.285	1.257	393.8	392.5	339.8	343.5
February	1.478	1.494	1.035	1.095	1.362	1.402	402.1	391.5	345.4	341.1
March	1.526	1.547*	1.076	1.132*	1.443	1.425*	408.8	394.4*	350.0	342.7*
April	1.525	1.547	1.085	1.125	1.441	1.421	407.4	396.0	347.9	343.2
May	1.538	1.521	1.092	1.103	1.452	1.403	405.3	401.4	345.5	347.2
June	1.524	1.502	1.072	1.076	1.443	1.376	405.7	403.2	345.3	347.9
July	1.532	1.504	1.086	1.083	1.447	1.385	410.6	401.4	347.7	345.1
August	1.533	1.499	1.092	1.071	1.443	1.367	412.6	400.7	347.6	343.7
September	1.535	1.489	1.098	1.056	1.446	1.354	414.5	401.2	347.4	342.9
October	1.561	1.479	1.115	1.063	1.463	1.346	418.2	401.4	349.1	342.2
November	1.576	1.482	1.123	1.055	1.489	1.350	421.0	401.0	350.3	341.0
December	1.591	1.500	1.131	1.067	1.502	1.384	423.7	402.3	351.3	340.9
January 1989	1.569	1.485	1.109	1.052	1.501	1.375	427.0	405.0	352.9	342.1
February	1.573	1.527	1.115	1.093	1.496	1.389	430.0	406.9	353.9	342.5
March	1.556	1.469	1.094	1.047	1.453	1.356	433.0	410.2	354.9	344.1

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	128.7	127.9	76.8	76.8	198.6	198.8
November	133.8	133.8	77.7	77.4	199.8	193.9
December	129.3	132.2	79.6	78.1	200.8	196.5
January 1988	125.9	128.0	75.8	74.4	192.1	190.1
February	128.2	128.7	76.9	74.7	197.0	188.1
March	129.4	129.5*	77.3	75.3*	202.1	189.6*
April	129.2	129.3	77.8	75.7	200.4	191.0
May	128.6	129.0	78.1	76.2	198.6	196.2
June	128.0	129.3	78.5	76.5	199.2	197.4
July	127.9	129.0	79.0	77.3	203.7	195.1
August	128.3	129.5	79.3	77.0	205.0	194.2
September	128.6	129.8	79.6	77.4	206.3	194.0
October	128.7	130.1	80.0	77.9	209.5	193.4
November	129.0	129.7	80.3	78.5	211.7	192.8
December	129.4	130.2	80.5	78.9	213.8	193.2
January 1989	130.0	130.5	81.4	79.6	215.6	194.9
February	130.4	130.8	82.0	80.3	217.6	195.8
March	130.9	131.1	82.6	80.1	219.5	199.0

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	328.6	328.6	111.09	111.09	30.41	30.42	28.99	28.99
November	331.8	331.8	110.95	110.95	30.09	30.09	28.62	28.62
December	333.2	333.2	116.41	116.41	33.56	33.56	30.47	30.73
January 1988	334.7	336.8	113.62	114.20	30.29	34.79	29.06	30.65
February	335.5	338.4	112.18	112.92	29.93	33.45	29.65	30.52
March	336.2	339.7*	113.35	114.84*	30.13	33.55*	30.21	30.27*
April	338.5	341.2	113.02	115.56	30.06	33.86	30.06	30.86
May	339.8	342.8	113.47	113.27	30.15	33.14	30.21	30.43
June	341.5	344.5	114.46	113.58	30.53	33.48	30.36	30.93
July	343.0	346.0	115.53	115.84	31.02	34.25	30.55	31.46
August	345.1	347.7	115.06	114.67	30.97	33.78	30.77	31.73
September	346.2	349.1	115.91	115.96	31.17	34.29	30.98	32.06
October	347.6	350.5	116.62	112.23	31.43	32.16	31.14	31.57
November	348.9	351.8	116.85	113.65	31.62	33.45	31.34	32.29
December	350.8	353.0	116.21	113.94	31.26	33.78	31.55	32.46
January 1989	352.1	354.5	114.49	111.46	30.57	31.84	30.86	32.05
February	353.9	355.9	115.86	111.29	31.35	31.76	31.24	32.14
March	355.6	357.3	116.63	113.28	31.50	32.29	31.61	32.09

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	687.7	689.9	9.13	9.13	132.5	132.5	81.9	81.9
November	695.5	696.4	9.24	9.24	133.1	133.2	82.0	82.1
December	698.3	702.9	10.23	10.09	133.3	133.8	82.2	82.4
January 1988	700.3	705.9	9.26	8.43	133.1	134.2	82.2	82.4
February	702.4	708.0*	9.83	8.39	132.5	134.4	81.6	82.4
March	706.0	710.1	10.40	8.96*	132.5	134.5*	81.4	82.3*
April	708.5	712.9	9.95	9.14	132.2	134.8	81.0	82.3
May	711.3	716.5	9.86	9.27	132.4	135.1	81.0	82.3
June	714.9	720.1	9.78	9.53	132.6	135.3	81.0	82.3
July	717.1	723.7	9.85	9.42	133.2	135.7	81.3	82.5
August	720.3	727.3	9.98	9.68	133.6	135.9	81.4	82.5
September	723.0	729.5	10.11	9.83	134.0	135.9	81.5	82.3
October	726.4	733.1	10.05	9.74	134.0	136.1	81.3	82.3
November	729.1	737.0	10.02	9.26	134.2	136.5	81.3	82.4
December	732.4	740.0	9.96	9.75	134.4	136.8	81.3	82.4
January 1989	735.6	743.5	10.03	9.36	134.8	137.0	81.4	82.4
February	738.9	746.7	10.10	9.58	135.4	137.0	81.7	82.2
March	740.9	749.8	10.17	9.84	136.0	136.9	82.0	81.9

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	114.9	115.0	106.1	106.2	103.9	103.9	118.5	118.5
November	115.3	115.3	106.1	106.1	104.2	104.2	118.7	118.7
December	115.4	115.5	105.8	105.7	104.1	104.1	118.9	118.9
January 1988	115.6	115.9	106.1	106.1	104.3	104.3	119.2	119.1
February	115.8	116.1	106.1	105.9	104.3	104.4	119.5	119.4
March	116.1	116.6*	106.2	106.2*	104.5	104.2*	119.8	119.6
April	116.5	116.9	106.4	106.4	105.0	104.5	120.2	120.0
May	116.9	117.3	106.6	106.8	105.4	104.8	120.5	120.4
June	117.4	117.6	107.0	106.9	105.8	105.3	120.8	120.8
July	117.9	118.0	107.5	107.2	106.3	105.7	121.2	121.3
August	118.3	118.4	107.8	107.6	106.7	106.0	121.7	121.8
September	118.9	118.7	108.4	107.7	105.2	104.5	122.2	122.2
October	119.3	119.1	108.8	108.1	107.5	106.6	122.5	122.7
November	119.6	119.5	109.0	108.4	107.8	107.0	122.7	123.2
December	119.9	119.9	109.2	108.7	108.0	107.3	123.0	123.6
January 1989	120.4	120.4	109.5	109.1	108.6	107.8	123.5	124.2
February	120.9	120.8	109.8	109.4	109.4	108.2	124.0	124.7
March	121.3	121.3	110.1	109.7	110.3	108.7	124.6	125.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	120.5	120.5	107.3	107.2	113.5	113.5	129.4	129.4	114.9	114.2
November	120.9	120.8	107.6	107.4	113.8	113.7	129.8	129.9	115.9	114.8
December	120.9	120.7	108.1	107.6	113.6	113.5	130.1	130.1	115.5	114.2
January 1988	121.2	121.1	108.0	107.4	113.4	113.4	130.6	130.7	115.9	114.3
February	121.5	121.3*	107.8	107.7*	113.5	113.3*	131.2	131.2*	116.4	114.8
March	121.8	121.5	107.9	107.5	113.6	113.2	131.7	131.8	116.8	115.1
April	122.2	121.9	108.3	107.8	113.9	113.4	132.3	132.4	117.1	115.4
May	122.7	122.4	108.5	107.7	114.3	113.7	132.9	133.0	117.3	115.6
June	123.1	122.8	108.7	108.0	114.6	114.0	133.5	133.5	117.5	115.9
July	123.6	123.3	109.0	108.2	115.1	114.4	134.0	134.1	118.1	116.3
August	124.2	123.8	109.3	108.4	115.7	114.9	134.5	134.7	118.7	116.6
September	124.8	124.2	109.5	108.8	116.3	115.3	135.0	135.3	119.3	117.0
October	125.3	124.7	109.8	108.7	116.8	115.7	135.6	135.9	119.8	117.3
November	125.7	125.2	109.7	109.0	117.3	116.2	136.2	136.5	120.2	117.6
December	126.1	125.7	109.7	109.2	117.7	116.7	136.8	137.1	120.6	118.0
January 1989	126.6	126.3	110.1	109.4	118.2	117.3	137.4	137.8	121.0	118.4
February	127.1	126.8	110.3	109.7	118.6	117.8	138.0	138.4	121 5	118.8
March	127.7	127.4	110.5	109.9	119.0	118.4	138.6	139.0	122.0	119.2

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	-17.63	-17.63	193.3	192.8	4583	4590	3868	3873	-21.6	-21.6
November	-13.22	-13.22	191.0	190.7	4595	4601	3871	3876	-23.9	-23.9
December	-13.80	-12.20	190.7	191.0	4616	4631	3882	3895	-21.1	-23.2
January 1988	-13.62	-12.44	190.5	188.9	4620	4638	3876	3894	-16.3	-17.8
February	-13.26	-13.12*	191.0	190.6	4620	4655	3866	3899	-14.4	-16.5
March	-14.19	-13.05	190.7	191.4*	4639	4671	3872	3906	-12.2	-12.7
April	-13.76	-13.63	190.3	191.1	4655	4700	3873	3917	-11.3	-12.1
May	-12.55	-13.07	190.7	190.6	4677	4720	3881	3920	-16.9	-12.9
June	-11.64	-12.23	190.2	191.0	4700	4752	3891	3934	-25.5	-15.7
July	-13.89	-13.94	190.6	191.3	4726	4772	3899	3934	-23.8	-18.3
August	-14.26	-13.56	191.4	191.8	4752	4792	3905	3934	-22.2	-18.1
September	-13.46	-12.82	191.8	192.2	4778	4818	3910	3943	-20.6	-16.5
October	-14.35	-14.45	191.5	192.0	4800	4844	3918	3948	-18.4	-16.1
November	-13.63	-13.05	191.3	191.7	4820	4872	3928	3955	-17.4	-16.6
December	-11.67	-12.16	190.8	190.9	4841	4899	3936	3964	-16.5	-17.4
January 1989	-12.43	-11.89	190.5	189.8	4868	4927	3942	3967	-19.3	-18.5
February	-12.06	-11.65	190.9	189.5	4896	4952	3948	3971	-22.4	-19.9
March	-12.32	-11.08	191.1	189.6	4924	4983	3952	3980	-25.4	-21.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	265.4	265.2	760.7	756.2	2892.5	2895.2	7.29	7.29	6.69	6.69
November	267.3	267.2	756.6	752.7	2891.1	2897.7	6.69	6.69	6.19	6.19
December	267.8	267.2	753.0	750.9	2895.6	2902.1	6.77	6.77	6.36	6.36
January 1988	272.3	271.3	761.4	758.9	2916.8	2925.5	6.83	6.83	6.25	6.25
February	273.5	272.0	765.4	759.6	2930.6	2946.8	6.56	6.58	5.94	5.96
March	274.8	273.1*	769.5	762.7*	2944.4	2969.9*	6.50	6.58	6.08	5.90
April	276.5	274.8	773.8	769.1	2959.3	2984.8	6.41	6.73	6.01	6.02*
May	278.7	275.9	779.2	771.1	2977.8	3002.7	6.26	6.80	5.96	6.08
June	280.9	277.4	784.6	774.8	2995.9	3017.1	6.26	6.76	5.92	6.05
July	282.3	279.0	790.0	780.9	3013.4	3038.2	6.30	6.68	6.06	5.96
August	283.7	280.7	795.8	787.4	3028.6	3060.5	6.38	6.53	6.01	5.83
September	285.0	282.3	801.5	792.1	3042.9	3078.8	6.46	6.58	6.08	5.89
October	286.7	284.0	803.6	797.5	3060.3	3096.8	6.50	6.69	6.15	5.94
November	288.5	285.5	805.8	800.8	3075.9	3111.6	6.59	6.82	6.18	6.07
December	290.3	287.1	808.0	804.5	3091.5	3126.9	6.68	7.03	6.17	6.20
January 1989	291.8	288.6	813.1	808.1	3107.3	3140.9	6.73	7.15	6.20	6.29
February	293.3	290.4	818.3	813.1	3126.2	3160.3	6.85	7.27	6.18	6.35
March	294.7	292.3	822.9	818.4	3145.0	3179.3	6.76	7.24	6.10	6.31

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	10.52	10.52	8.70	8.70	7.89	7.89	8.02	8.02	9.07	9.07
November	10.01	10.01	7.95	7.95	7.17	7.17	7.24	7.24	8.78	8.78
December	10.11	10.11	7.96	7.96	7.61	7.61	7.66	7.66	8.75	8.75
January 1988	9.88	9.88	7.66	7.69	6.87	6.87	6.92	6.92	8.75	8.75
February	9.93	9.40	7.75	7.49	6.43	6.58	6.50	6.60	8.51	8.51
March	9.82	9.42*	7.61	7.75*	6.40	6.61*	6.49	6.61*	8.42	8.50*
April	9.56	9.66	7.36	8.02	6.28	6.78	6.37	6.75	8.25	8.50
May	9.43	9.70	7.24	8.11	6.25	6.85	6.35	6.84	8.25	8.50
June	9.30	9.65	7.12	8.06	6.28	6.73	6.38	6.79	8.25	8.50
July	9.25	9.63	7.03	7.99	6.35	6.65	6.42	6.74	8.25	8.50
August	9.29	9.70	7.11	8.05	6.42	6.50	6.50	6.63	8.25	8.50
September	9.33	9.78	7.18	8.13	6.45	6.53	6.54	6.62	8.25	8.50
October	9.50	9.84	7.34	8.18	6.61	6.68	6.69	6.70	8.25	8.50
November	9.56	9.89	7.41	8.26	6.64	6.76	6.73	6.85	8.25	8.50
December	9.62	10.03	7.48	8.43	6.70	6.94	6.78	7.06	8.25	8.68
January 1989	9.75	10.08	7.61	8.48	6.78	7.11	6.85	7.10	8.25	8.93
February	9.89	10.01	7.71	8.41	6.86	7.23	6.94	7.29	8.25	9.00
March	9.85	9.94	7.63	8.31	6.73	7.20	6.86	7.30	8.25	9.00

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